

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



FILED

5-01-17
04:59 PM

Order Instituting Rulemaking on the
Commission's Own Motion to Conduct a
Comprehensive Examination of Investor Owned
Electric Utilities' Residential Rate Structures,
the Transition to Time Varying and Dynamic
Rates, and Other Statutory Obligations.

Rulemaking 12-06-013
(Filed June 21, 2012)

**SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)
QUARTERLY REPORT
ON PROGRESS OF
RESIDENTIAL RATE REFORM (PRRR)**

Steven C. Nelson
Attorney for
SAN DIEGO GAS & ELECTRIC COMPANY

8330 Century Park Court
San Diego, CA 92123
Telephone: (619) 699-5136
Facsimile: (619) 699-5027
Email: snelson@semprautilities.com

May 1, 2017

TABLE OF CONTENTS

I.	Introduction	1
II.	Marketing, Education & Outreach (ME&O).....	2
	A. ME&O Plan and Advice Letter Filing Summary.....	2
	i. Public Relations Media Strategy	2
	ii. Calculated Benefitters vs. Non-Benefitters	3
	iii. Timeline of TOU Implementation	3
	iv. Sample Customer Profile and Messaging	3
	v. Detail on Direct Marketing vs. General Marketing and Other Tactics	5
	vi. Tracking and Measuring Community Based Organizations Effectiveness.....	5
	vii. Detailed Budget Aligned with Other IOUs	6
	B. Community Outreach & Engagement.....	6
	i. SDG&E's Energy Solutions Partner Network (CBOs).....	6
	ii. Targeted Initiative – SDG&E Branch Office Tailgate Series	7
	C. High Usage Charge (HUC)	8
	D. Statewide ME&O – Energy Upgrade California integration	9
III.	Research & Metrics.....	10
IV.	Opt-In Time of Use (TOU) Rates	12
V.	TOU Pilots	12
	A. Opt-In TOU Pilot (June 2016-December 2017).....	12
	i. Participation – Control Your Use Rates E1 and E2.....	13
	ii. Participation – Control Your Use Rate E3	13
	iii. Bill Protection Expiration	14
	B. Education & Outreach.....	15
	C. Research and Evaluation.....	16
	D. Default TOU Pilot (2018).....	18

VI.	Updates on Other Proceedings Impacting Residential Rate Reform	19
A.	General Rate Case (GRC) Phase 2 Application (A.15-04-012).....	19
B.	Time of Use OIR (R.15-12-012)	19
C.	Fixed Cost Methodology/PG&E’s GRC Phase 2 Application	20
D.	Rate Reform OIR Phase 3 (R.12-06-013).....	20
E.	Rate Reform Petition of Modification (PFM) – Glidepath Issues	21
F.	Net Energy Metering (NEM) OIR (R.14-07-002)	22
VII.	Expenditures	22
VIII.	Conclusion.....	24

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the
Commission's Own Motion to Conduct a
Comprehensive Examination of Investor Owned
Electric Utilities' Residential Rate Structures, the
Transition to Time Varying and Dynamic Rates,
and Other Statutory Obligations.

Rulemaking 12-06-013
(Filed June 21, 2012)

**SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)
QUARTERLY REPORT
ON PROGRESS OF
RESIDENTIAL RATE REFORM (PRRR)**

I. Introduction

Pursuant to Decision (D.) 15-07-001, "Decision on Residential Rate Reform for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company and Transition to Time-of-Use Rates" (the Decision), that the California Public Utilities Commission (Commission or CPUC) issued on July 13, 2015, San Diego Gas & Electric Company (SDG&E) files this quarterly report.

Among other things, the Decision provides for the implementation of Residential Rate Reform during the years 2015 to 2020 and a transition to time-of-use (TOU) rates for residential customers. The Decision also requires the Investor-Owned Utilities (IOUs) to provide the Commission and interested parties with regular updates on the progress of understanding TOU rates and other rate reform impacts. These updates, or Progress on Residential Rate Reform (PRRR), are reported on a quarterly basis.

This report is the seventh progress update that SDG&E has submitted, with previous reports having been submitted on:

- 2015: November 2
- 2016: February 2, May 2, August 1 and November 1
- 2017: February 1

Additionally, starting in 2017, the IOUs were asked to make presentations each quarter summarizing some of the key activities and milestones detailed in each report. The first presentation was made on March 7, 2017 and covered activities in Q4 2016.

Pursuant to the D.15-07-001, primary topics covered in the PRRR include: “outreach strategies, metrics, pilot design and results, opt-in TOU results, budgets, and updates on other proceedings that will impact residential TOU rate design.”

II. Marketing, Education & Outreach (ME&O)

On February 6, 2017, the Administrative Law Judge (ALJ) held a hearing and requested the three IOUs supplement their ME&O plans with additional information and further discussion around several topics. SDG&E filed a supplemental advice letter (AL 2992-E-A) on March 15, 2017 providing more detail around SDG&E’s proposed ME&O activities. This has been summarized in Section A below.

A. ME&O Plan and Advice Letter Filing Summary

i. Public Relations | Media Strategy

SDG&E’s customer engagement strategy to increase overall awareness of the rate reform journey includes leveraging multiple efforts through Media Relations:

- News Releases and targeted media outreach
- News Center Series on customer options
- News Center Series on energy efficiency
- Social Media outreach and messaging

ii. Calculated Benefitters vs. Non-Benefitters

SDG&E provided data showing the percentage of customers in each category based on the prescribed dollar threshold of \$10 and the prescribed percentage threshold of 10%. SDG&E's research shows that customers start to pay attention when there is 10%-14% increase in their bill amount. Using a \$100 average bill, SDG&E used the \$10/10% threshold to group customers into three categories:

- Benefiter (decrease of >\$10/10% on monthly bill)
- Non-Benefiter (increase of >\$10/10% on monthly bill)
- Neutrals (those customers between +/- \$10/10% on their monthly bill)

iii. Timeline of TOU Implementation

SDG&E provided a timeline showing the customer journey for rate reform implementation and the preliminary "go-to-market" tactical timing for customer engagement. Key milestones include:

- SDG&E's Opt-In TOU pilot will be concluding in December 2017.
- New TOU periods (4pm-9pm) is expected to begin December 2017 pending General Rate Case (GRC) Phase II approval. Current peak hours for Residential Opt-in TOU rates are 11am-6pm.
- SDG&E's Default TOU Pilot customer outreach will commence in October 2017 with preliminary communications to approximately 150,000 customers. Implementation will begin in March 2018. All remaining eligible TOU customers will transition beginning in March 2019, with customer communications starting in January 2019.

iv. Sample Customer Profile and Messaging

SDG&E will use customer profiles to target rate reform communications, customize messages and solutions, determine appropriate channels and prioritize efforts to efficiently allocate budget. SDG&E's profiles will combine bill impact data with relevant characteristics from our new residential segmentation, including specific demographic and psychographic indicators, such as a customer's perceived ability and willingness to take action to change energy consumption patterns and/or behaviors in response to TOU rates.

Customer communications will begin with broader, more general messaging related to awareness and education around time-of-use and will become more specific to a particular customer over time, starting with their overall bill impact. ME&O will continue over several phases through 2020, as illustrated below, using relevant data points from our revised customer segments, as appropriate.

Phase 1 – Awareness



Setting the contextual groundwork for TOU with an emphasis on “what,” “why” and “when,” and the benefits of TOU, as well as the change in the peak period.

***“When you use energy matters.
New rates are coming based on when you use energy.”***

Phase 2 – Acknowledgment



Continue with and build on phase one messages. Evolve to include rate choices and how to be successful – including education on tools, solutions and behavior change.

***“New electric rates are here based on when you use energy.
SDG&E has solutions to help you prepare.”***

Phase 3 – Activation



Increased messaging related to personalized education and motivation through the use of targeted bill impacts and solutions.

“SDG&E has tools to help you compare rates and be successful on TOU.”

Phase 4 – Agreement



Reinforce the benefits and encourage motivation with an emphasis on sustained action leading to TOU retention.

“Here's how to get the most from your TOU rate.”

RATE REFORM – CUSTOMER MESSAGING TYPE & TIMELINE

TOU ME&O by Group	Communications Method	Overarching Message	2017	2018	2019	2020
Pilot of approx 20,000	Email and Direct mail	Join in this study about new electric rates based on when you use energy	Opt-In TOU Pilot			
Pilot of approx 100,000	Email and Direct mail	You've been selected as part of first group to get to use new time-based rates		Learnings		
Default of remaining residential customers	Email and Direct mail	New electric rates are here based on when you use energy. SDG&E has solutions to help you succeed		Default Pilot	Learnings	
Target by Customer Profile/Segment	Targeted ME&O	Time of Use Is coming. SDG&E can help you prepare		Targeted ME&O to vulnerable customers		
		You may be able to start saving money today		Targeted ME&O to structural savers		
		We have solutions to help you be successful on TOU			Targeted and Mass ME&O to default segments	
TOU ME&O by Phase			2017	2018	2019	2020
Awareness	Multi-channel	When you use energy matters. New rates are coming based on when you use energy		Awareness		
Acknowledge	Multi-channel	New rates are available. Soon all customers will need to choose their new rate		Acknowledge		
Activation	Multi-channel	SDG&E has tools to help you compare rates and be successful on TOU			Activation	
Agreement	Multi-channel	Here's how to get the most from your TOU rate				Agreement
Bill/Rate Comparisons			2017	2018	2019	2020
Rate Comparison Mailers	Email and Direct mail - Test	Here is a comparison of available rates				
	Email and Direct mail	It's easy to compare and select rates				

v. Detail on Direct Marketing vs. General Marketing and Other Tactics

SDG&E's supplemental AL included additional detail around specific tactics, including:

- General Marketing - (may include) television, print, radio, videos, website, social media, digital advertising
- Direct Marketing – email and/or direct mail for personalized video bill, rate comparison mailers, pre- and post-default reminders, bill inserts, collateral
- Outreach - Energy Solutions Partners, events, presentations, workshops and multi-lingual efforts (see Section B for current activities)
- Research - qualitative online panel or surveys, quantitative tracking study
- Marketing Automation – software to automate select marketing tactics

vi. Tracking and Measuring Community Based Organizations' Effectiveness

SDG&E currently tracks a number of data points related to the activities initiated and/or implemented by its Energy Solutions Partner Network. This includes partner name along with the date and type of activity and its impact. Impact is determined largely by the type of activity the Community Based Organization (CBO) engages in.

Overall, the CBO role is to help build awareness and connect their constituents to applicable solutions. Effectiveness is primarily measured by the CBO's efforts and/or reach with the audience they serve (i.e. seniors, multicultural, low-income) to help build awareness, followed secondly by their efforts to engage customers in solutions, when appropriate. Success can be defined in a number of ways, which may include: number of impressions garnered by the CBO's activities or number of customer engagements in connecting to a solution as part of a campaign.

vii. Detailed Budget Aligned with Other IOUs

The IOUs were instructed to work together to align ME&O budgets to include more detail and make more comparable by tactic between IOUs. Additionally, the ALJ specifically requested that the IOUs breakdown the ME&O budget referencing the Advice Letter (AL) indicating the budget category by chapter with the associated detail and budget. Provided below is SDG&E's revised ME&O budget template.

SDG&E's ME&O Budget					
estimates for years 2017-2019					
Chapter	Tactic	2017 Proposed Budget	2018 Proposed Budget	2019 Proposed Budget	3-year Total
Ch 8	Overall Plan - TOU Awareness				
	Communications Development	\$ 350,000.00	\$ 350,000.00	\$ 350,000.00	\$ 1,050,000.00
	General (TV, Radio, Social Media, Bill Inserts)	\$ 365,000.00	\$ 2,175,000.00	\$ 4,250,000.00	\$ 6,790,000.00
	Digital Media	\$ 140,000.00	\$ 140,000.00	\$ 140,000.00	\$ 420,000.00
	Direct (Email & SMS)	\$ 876,000.00	\$ 1,292,000.00	\$ 229,200.00	\$ 2,397,200.00
	Web Development (Inclusive of all activities)	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 300,000.00
Ch 3, 10	Customer Research				\$ -
	Overall	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 225,000.00
	Qualitative	\$ 75,200.00	\$ 75,200.00	\$ 50,000.00	\$ 200,400.00
	Quantitative	\$ 100,000.00	\$ 172,800.00	\$ 175,000.00	\$ 447,800.00
Ch 9	Community-Based Organizations				\$ -
	Energy Solutions Partner Activities	\$ 50,000.00	\$ 75,000.00	\$ 100,000.00	\$ 225,000.00
	Event Sponsorships - Targeted Zip Codes	\$ 200,000.00	\$ 250,000.00	\$ 300,000.00	\$ 750,000.00
	Engagement Materials (brochures, etc.)	\$ 50,000.00	\$ 75,000.00	\$ 100,000.00	\$ 225,000.00
Ch 11	Marketing Automation	\$ 100,000.00	\$ 100,000.00	\$ 250,000.00	\$ 450,000.00
*	High Usage Charge (HUC)	\$ 200,000.00	\$ 200,000.00	\$ 200,000.00	\$ 600,000.00
	Labor (FTE and contract)	\$ 824,800.00	\$ 1,992,000.00	\$ 2,476,800.00	\$ 5,293,600.00
	Total	\$ 3,506,000.00	\$ 7,072,000.00	\$ 8,796,000.00	\$ 19,374,000.00

*AL 2802-E and 2802-E-A filed 10/16/15 and 3/25/16 respectively, provide analysis on customers who may be impacted by HUC and SDG&E's proposed MEO plan.

B. Community Outreach & Engagement

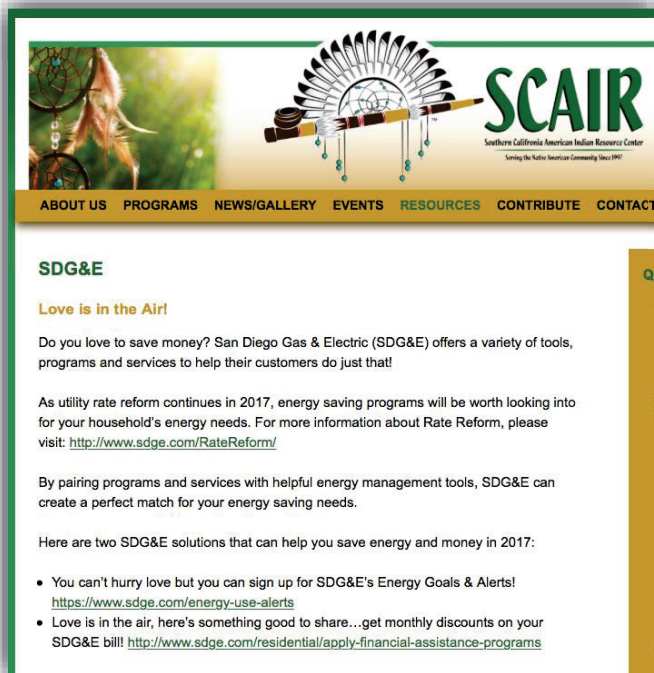
i. SDG&E's Energy Solutions Partner Network (CBOs)

The Energy Solutions Partner Network, which consists of more than 250 grassroots, diverse community based organizations, continues to educate and engage customers in understanding the concept "when you use energy and what is using that energy matters." In Q1 2017, these partners continued promoting the various

energy management tools behind SDG&E's MyAccount. These tools can also help a customer connect to solutions that reduce energy use and/or save them money on their bill.

In support of these partners, SDG&E's Outreach & Engagement Team coordinated 104 activities highlighting Rate Reform & Solutions, which included:

- **51 online activities** (social media postings, e-blasts, website posts) reaching more than 76,000 people
- **37 events** reaching over 56,000 people
- **16 presentations** reaching over 200 people



ii. Targeted Initiative – SDG&E Branch Office Tailgate Series

As part of its ongoing efforts to directly connect to customers, SDG&E hosted Customer Solutions tailgate events at four SDG&E Branch Office locations - Escondido, Chula Vista, Market Creek and National City. The goal of these events was to ensure customers were educated on changing rates and also encourage them to sign up for online alerts and other Energy Management tools through MyAccount. Other solutions in which customers expressed interest included: SDG&E Mobile App, energy efficiency programs such home upgrades (Energy Savings Assistance, Residential Direct Install and MFEER), LED lighting and SDG&E Marketplace.



SDG&E Escondido Branch Office
Customer Solutions Tailgate - 2/24/17



SDG&E Market Creek Branch Office
Customer Solutions Tailgate - 3/03/17

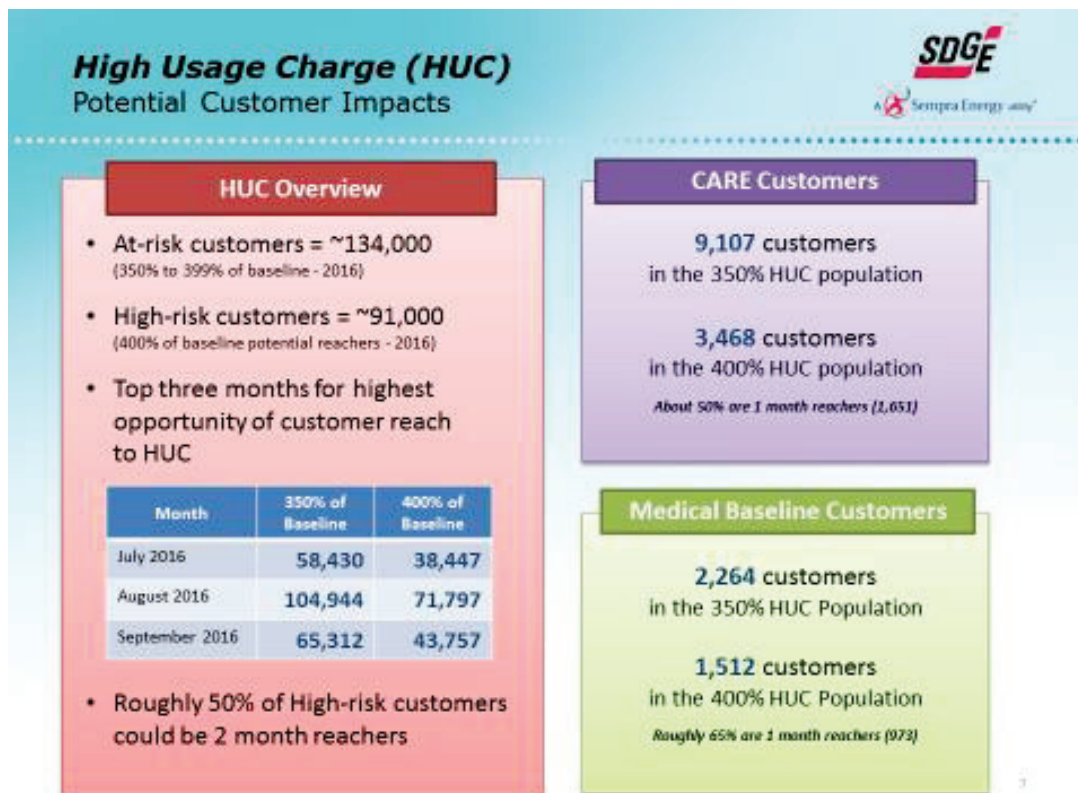
C. High Usage Charge (HUC)

On October 28, 2016, the Energy Division issued a disposition letter approving SDG&E's Advice Letter (AL) 2802-E and its supplemental letters effective on the date filed (i.e. October 5, 2016). This disposition approves, among other things, the authority to change the name from "Super User Energy" Charge (SUE) to "High Usage" Charge (HUC).

On March 10, 2017, SDG&E filed AL 3055-E, seeking approval to implement SDG&E's proposed 2017 Glidepath rate adjustments for residential tiered rates pursuant to (D.) 15-07-001, including the implementation of a HUC. As part of this filing, SDG&E indicated that it would need a minimum of 60 days post-decision to inform customers that may be at risk for incurring this new High Usage charge. This AL is pending Commission approval.

In the interim, SDG&E has completed its analysis based on 2016 electric usage, identifying nearly 134,000 customers who would have reached 350% or more of their baseline.

Of these, nearly 91,000 customers have been identified as high-risk, reaching 400% or more of their baseline at least one or more times over the course of a year based on actual 2016 energy use. Provided below is a high-level overview of these at-risk customers.



ME&O tactics to educate and engage these customers will include general awareness through the bill package, social media, and the SDG&E website. Additional tactics include targeted direct mail, email and outreach as well as intra-bill cycle alerts.

D. Statewide ME&O – Energy Upgrade California Integration

SDG&E is an active participant in the statewide marketing, education, and outreach (SW ME&O) proceeding (A.12-08-008) and has collaborated with its administrator, DDB, on exploring the integration and coordination of rate reform-related messaging into the statewide

Energy Upgrade California (EUC) campaign. DDB filed its five-year strategic roadmap (FYRM) and joint consumer action plan (JCAP) on April 5, 2017. With regards to rate reform-related messaging integration, the FYRM offers a clear description of the EUC campaign scope and need for flexibility as implementation progresses:

“Because RRR and TOU can get very complex very quickly, customer engagement will integrate topline awareness messaging and drive consumers to their energy provider to learn more. In the early stages of customer engagement, awareness messaging will condition the environment and get consumers thinking about when they use energy. As Energy Upgrade California matures and RRR/TOU ramps up, DDB, Consulted and Supportive parties, as well as the Commission will reassess customer engagement messaging and integrate awareness and educational efforts accordingly¹”

Both parties agree that DDB’s strategic statement “when you use energy matters” connects well with SDG&E’s Phase 1 – Awareness approach of setting the contextual groundwork based on the messaging direction “When you use energy matters. New rates are coming based on when you use energy.” SDG&E is committed to continuing collaborative efforts with DDB and other stakeholders to ensure that both EUC and local ME&O rate reform-related messaging are in sync.

III. Research & Metrics

At the request of the CPUC, SDG&E conducted qualitative research to better understand the customer experience around energy rate plans and bring out the customer’s voice in the rate plan design process. The goal of this User-Centered Design Thinking Research was to learn more about customers’ needs, values, and motivations in order to effectively communicate the

¹ Advice Letter DDB-1, Appendix A: Five-Year Marketing, Education and Outreach Strategic Roadmap, p.30.

benefits of TOU rates and encourage customers to engage in shifting usage to off-peak times. To accomplish this, SDG&E partnered with Daylight Design, a San Francisco-based design firm. In December 2016 and January 2017, a total of 15 in-home interviews were conducted with customers across the service territory. The interviews were approximately 90-minutes in length. A variety of different customer types were interviewed, including solar customers, “green” minded environmentalists, lower-income, those who reside in a hot climate zone, renters, young families, and empty nesters. After the interviews were completed, the information gathered was used to inform discussion in four follow-up focus groups. A total of 32 customers participated in the focus groups in late January. In the group discussions, participants were asked about their household’s energy usage habits, interest in various types of TOU rate plans and what would work best for their families. They were also asked to provide feedback on hypothetical solutions/tools to help in managing their usage and costs. As a result of this research, several themes emerged, which included:

1. Framing TOU as an added variable for cost control
2. Showing customers that TOU doesn’t require changing inflexible routines, only flexible ones
3. Enabling customers with prediction and choice
4. Praising, not blaming
5. Providing significance to the financial incentive through environmentalism
6. Making the bill accessible and actionable
7. Showing customers that TOU is a way to do the right thing without consuming less
8. Getting customers to be more personally involved
9. Personalizing messaging and feedback
10. Harnessing San Diego’s environmentalism to motivate TOU
11. Being transparent that TOU is a statewide mandate

After sharing results with Pacific Gas and Electric Company (PG&E) and Southern California Edison Company (SCE), similar themes were discovered, which led to a joint

collaboration and presentation of results at the CPUC on March 22, 2017. The SDG&E report was submitted to the CPUC after the presentation.

IV. Opt-In Time of Use (TOU) Rates

There are nearly 30,000 SDG&E customers on opt-in TOU rates as of March 31, 2017. A detailed breakout is provided below:

Rate	Accounts Enrolled as of 12/31/15	Accounts Enrolled Q1 2016	Accounts Enrolled Q2 2016	Accounts Enrolled Q3 2016	Accounts Enrolled Q4 2016	Accounts Enrolled Q1 2017	Total
Schedule TOU-DR	346	209	133	180	104	85	1,057
Schedule EECC-TOU-DR-P	1,365	692	554	645	599	479	4,334
Schedule DR-TOU	1,165	-33	0	-34	-2	-14	1,082
Schedule EV-TOU	302	-17	2	136	-8	15	430
Schedule EV-TOU2	6,466	504	550	484	623	575	9,202
Schedule DR-SES	2,168	412	338	397	341	448	4,104
Schedule TOUDDRE1	0	0	3,741	133	-176	-227	3,471
Schedule TOUDDRE2	0	0	6,860	126	-348	-411	6,227
Total	11,812	1,767	12,178	2,067	1,133	950	29,907

V. TOU Pilots

A. Opt-In TOU Pilot (June 2016-December 2017)

SDG&E's Opt-In TOU Pilot Plan includes three experimental rate options Control Your Use Rates E1, E2, and E3. This section summarizes the three rate options, recruitment and retention efforts, customer participation levels, education and outreach efforts, and research and evaluation plans.

i. Participation – Control Your Use Rates E1 and E2

On June 1, 2016, SDG&E went live with 15,802 participants on rates E1 and E2. Effective June 1, 2016 through December 31, 2017, the rates reflect a simple TOU rate structure. Rate E1 has three TOU periods, and Rate E2 has two TOU periods. The on-peak period for both rates is 4pm-9pm.

ii. Participation – Control Your Use Rate E3

On October 1, 2016, SDG&E went live with 68 participants on rate E3. Effective October 1, 2016 through December 31, 2017, this rate is a proof of concept and is intended for customers who adopt innovative technology and understand their energy usage. It is a dynamic hourly rate option that is much more complex than Rates E1 and E2 and includes:

- Monthly service fee (\$10)
- Prices that vary hourly
- Dynamic rate components
- Net surplus energy credits

In summary, as of March 31, 2017, there were a total of 13,231 participants on Rates E1 & E2 and 64 participants on E3. The table on the following page summarizes the recruitment results by rate.

RECRUITMENT RESULTS AND RATE ASSIGNMENT – March 31, 2017

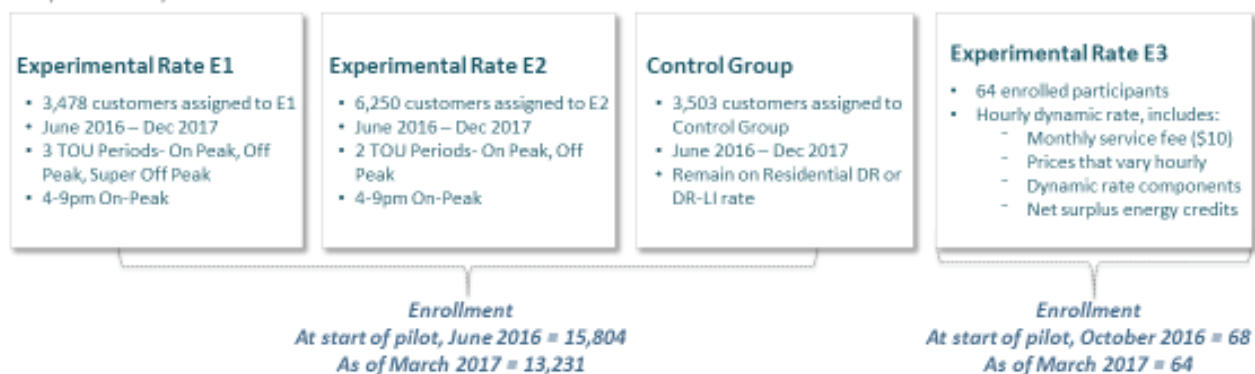


Pilot Participation- As of March 31, 2017

Pilot Group #	Pilot Group	# of Customers Enrolled	Drop Offs (Ineligibility / Opt Outs)			# of Active Participants
			Rate 1	Rate 2	Control Group	
1	Hot	432	---	43/15	---	374
2	Cool, Non CARE	4008	152/21	261/32	156/1	3385
3	Cool, CARE	3808	147/15	254/21	178/3	3190
4	Moderate, Non CARE	3946	120/39	262/57	153/1	3314
5	Moderate, CARE	3610	153/29	273/33	150/4	2968
Totals		15,804	572/104	1093/158	637/9	13,231

Note- 2,024 of the overall ineligibility count is due to Finaled Accounts.

Opt In Rate Options



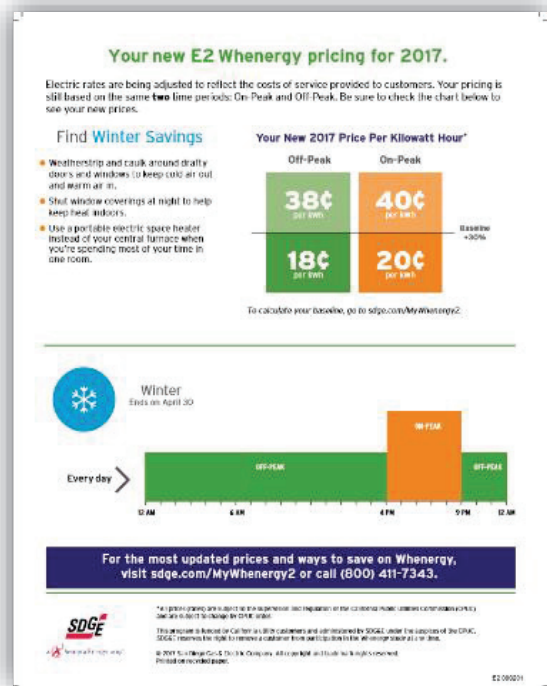
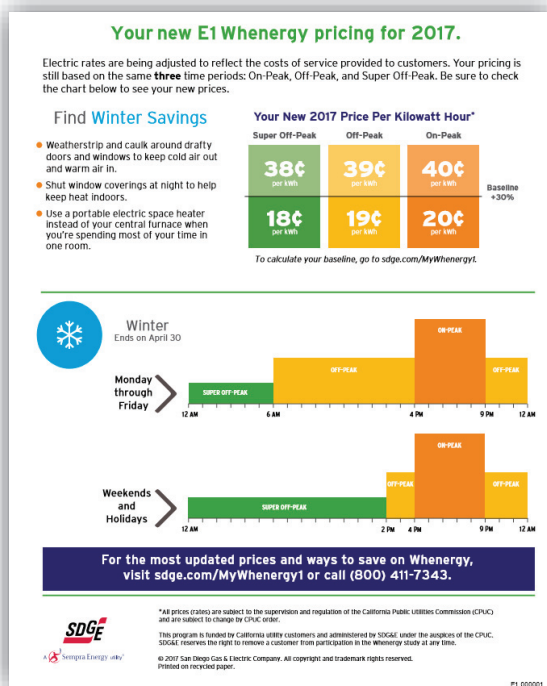
iii. Bill Protection Expiration

In preparation for the end of bill protection in June 2017 for Opt-in TOU Pilot rates E1 and E2, communications were drafted and will be distributed in the second quarter 2017 to remind customers of bill protection ending. These communications will also inform customers of the higher summer rates, while encouraging them to understand how shifting their energy use off the peak and using energy efficiency solutions can help them benefit on a TOU rate.

B. Education & Outreach

In Q1 2017, SDG&E continued to educate pilot participants on seasonal rate changes as well as how shifting energy use off-peak, overall conservation and engaging in solutions can help customers be even more successful on these TOU pricing plans. An SDG&E Marketplace promotion was also deployed in February to encourage participants to check out the various tools and solutions the website offers. Below are samples of the English Direct Mail versions of the communications for first quarter:

January 2017 – Rates E1 & E2 - Winter Prices | Seasonal Rate Change



February 2017 - Rates E1 & E2 – SDG&E Marketplace Promotion – Segmented (High Use, Low Use, Tech)



C. Research and Evaluation

Pilot Participant Survey – Opt-in TOU Pilot rates E1 & E2

The first of two Opt-In TOU pilot surveys was conducted in October through December, 2016. SDG&E partnered with Research Into Action (RIA) and Washington State University to administer the survey, analyze and report the results. Participants were able to take the survey either online, in written booklet form, or over the phone. All participants received a bill credit

as incentive for completing the survey. SDG&E received a favorable response rate of 85%, or 12,755 pilot participants fully or partially completing the survey. The primary objectives of the first survey wave were to measure the customer experience during the summer months (June 2016 – October 2016), primarily:

- Degree of hardship caused by TOU rates relative to tiered rates and to identify key population segments most affected by the rate changes
- Level of customer understanding of TOU rates and reasons for them
- Effectiveness of the messaging and outreach used during the pilot
- Level of satisfaction customers have with the TOU rates

The results were analyzed and presented to the working group on February 22, 2017.

Some of the key takeaways from the first wave of these research included:

- After calculating an Economic Index Score, designed to measure degree of financial hardship, it was found that neither pilot TOU rate resulted in increased economic index scores for any of the segments.
- Lower income customers had a harder time paying bills, but TOU customers didn't have a harder time vs. control group customers.
- The hotter the climate, the higher the average economic index score for the segment.
- Most reviewed the welcome packet and found the information easy to understand.
- Customers said they turned off lights and avoided doing laundry, cooking or running the dishwasher most often.
- In general, customers agreed that peak and off-peak times are easy to remember, the electricity bill helps them understand the time of day they're spending the most on electricity, and the rate is easy to understand.

The second wave of the survey will be fielded in July and August 2017, and will have the same objective as the first wave with the focus on the participants' experience during the cooler months of December 2016 through June 2017. Results will be available in late September/early October.

Pilot Participant Survey – Opt-in TOU Pilot rate E3

The first survey for Rate 3 was designed and will be administered in April by SDG&E. It includes questions that will help us to evaluate the customer's ability to shift load, as well as to

determine which tools help them most for planning their usage and behavior. Survey results will be available at the end of May 2017.

D. Default TOU Pilot (2018)

SDG&E plans to transition 100,000 - 125,000 customers to TOU pricing in March 2018 based on the customer's billing cycle. To account for customers who opt-out, close their account, or transfer service, SDG&E will send out default notifications to approximately 125,000 to 150,000 randomly selected, eligible residential customers. The initial notification will be sent in October 2017, six months in advance of the customer defaulting. The primary default notification containing rate comparisons and other information will occur in January 2018, 60 days prior to transitioning customers in March 2018. A reminder communication will be sent 15 to 30 days prior to the customer transitioning. Default pilot customers will receive ongoing communications, as appropriate, including but not limited to summer and winter pricing information and end of bill protection communication. To avoid customer confusion, SDG&E plans to shield its default pilot customers from receiving outreach materials for its existing opt-in TOU rates including the rate comparison information that is required by D.15-07-001.

SDG&E will test two default tariffs, which are structurally the same as the two rates being tested in its TOU opt-in pilot. The majority of customers will be transitioned onto Schedule TOU-DR2 which will have a daily peak period from 4pm-9pm with varying on-peak and off-peak hours on weekdays and weekends. TOU-DR3 will have a daily peak period from 4pm-9pm, with all other hours as off-peak. Both rates have the same structure year-around.

SDG&E's default pilot plan will help to ensure SDG&E's business processes and

operational systems are functional and its ME&O efforts are fine tuned in preparation for full eligible residential TOU roll out in SDG&E's service territory in 2019. Commission approval of the default pilot plan as filed in AL 3020-E-B on March 12, 2017² is expected in May 2017 and is essential in order to meet the targeted default pilot launch date of March 2018.

VI. Updates on Other Proceedings Impacting Residential Rate Reform

A. General Rate Case Phase 2 Application (A.15-04-012)

SDG&E filed its second-amended application on February 9, 2016. The amended application includes a food bank rate assistance proposal; removal of SDG&E's Expanded CARE proposal, modeling corrections, and other enhancements to testimony. As part of SDG&E's GRC Phase 2 application, the CPUC will consider, among other things, the adoption of SDG&E's (1) revenue allocation settlement agreement; (2) sales forecast; (3) proposal to recover Self Generation Incentive Program costs through public purpose program rates, instead of distribution rates; (4) new TOU periods and rate; and (5) other electric revenue allocation and rate design proposals. A draft decision addressing SDG&E's application is expected in the second quarter of 2017 and will adopt rate proposals effective in November 2017.

B. Time of Use OIR (R.15-12-012)

On January 19, 2017, the Commission approved a TOU rulemaking decision that provides a framework and guiding principles for designing, implementing, and modifying the time periods reflected in TOU rates and identifies these relevant principles and related data

² AL 3020-E "Request for Authorization for San Diego Gas & Electric Company's Residential Default Time-of-Use Pilot Plan in Compliance with D.15-07-001" was filed on December 16, 2016. Supplemental AL 3020-E-A and Supplemental AL 3020-E-B were filed on February 24, 2017 and March 10, 2017, respectively.

requirements at a broad level. The decision also permits grandfathering of current TOU periods for current non-residential solar customers for a period of 10 years that will apply to SDG&E's pending proposal to update TOU periods in the pending GRC Phase 2 proceeding noted above.

C. Fixed Cost Methodology/PG&E's GRC Phase 2 Application

PG&E filed its GRC Phase 2 application on June 30, 2016, including the IOU joint fixed charge methodology. This proceeding will include proposals by the IOUs, the Office of Ratepayer Advocates (ORA) and The Utility Reform Network (TURN) on a defined fixed charge methodology to develop a record to support a Commission decision adopting categories of fixed charges. During the comment period, the parties remained unaligned; ORA and TURN support a narrower definition of fixed costs than the IOUs. A decision in this case is expected in August 2017.

D. Rate Reform OIR Phase 3 (R.12-06-013)

The Commission determined that the scope of Phase 3 should include: (1) the interpretation of Public Utilities Code Section 745 (Section 745) conditions that must be met for the implementation of default TOU rates; (2) potential changes to the California Affordable Rates for Energy (CARE) program under Assembly Bill 327 (Statutes of 2013, Perea); and (3) requirements for supporting information for the 2018 residential rate design window (RDW) applications and general TOU pilot implementation issues. A CPUC decision (D.16-09-016) was issued on September 19, 2016 addressing many of the statutory interpretation issues necessary to implement Section 745; however, additional issues remain unresolved. On April 19, 2017, interested parties filed opening testimony representing each party's position on customer exclusions related to default TOU. Commission rulings on January 24, 2017 and April 28, 2017

establishing the following procedural schedule to move forward in addressing the Phase 3 issues:

- Section 745 – Rebuttal Testimony – May 8, 2017
- Section 745 – Hearing/Workshops – May 18, 2017 and May 22, 2017 (Joint proposed agenda to be filed by May 15, 2017)
- CARE Restructuring – Working group status report – June 2017
- CARE Restructuring – Bills impacts on working group recommendations – summer 2017
- Section 745 – PD on August 25, 2107 and Final Decision on September 28, 2017
- CARE Restructuring – Recommendations for 2018 RDW filings – September 31, 2017
- RDW Filings – to be filed no later than January 1, 2018
- Marketing, Education, and Outreach - The three IOUs filed advice letters regarding their ME&O plans to educate and outreach to customers on residential rate reform information on November 1, 2016³ in compliance with D.15-07-001. These ALs were supplemented with additional requested information on March 15, 2017.⁴ Resolution on these advice letters is expected during the second quarter of 2017.

E. Rate Reform Petition of Modification (PFM) – Glidepath Issues

On December 7, 2016, SDG&E, SCE, and PG&E (the “IOUs”) filed a PFM to modify language of the Residential Rate Reform Decision (D.15-07-001) that established, among other things, glidepath rules around capping Tier 1 residential rate increases to no more than 5% above the annual change in the Residential Average Rate (RAR) relative to the prior 12 months. Due to changes in customer sales (kWh consumed) versus forecasts and other rate related impacts, the IOUs are seeking changes to the capping rule as well as a procedural path to decide any future Tier 1 capping rule deviations. The PFM requests Tier 1 rate increases resulting from annual glidepath changes be capped at the RAR percentage increase plus 8% relative to rates for the prior 12 months and the ability to procedurally seek any future approval

³ SDG&E AL 2992-E.

⁴ SDG&E AL 2992-E-A.

of glidepath conforming rate changes via a Tier 3 advice letter. Pursuant to ALJ McKinney's ruling at the February 6, 2017 prehearing conference, SDG&E collaborated with interested parties agreeing to present several SDG&E Glidepath scenarios including customer impacts in a Tier 3 AL filed on March 10, 2017.⁵ Both the PFM and AL are pending Commission approval.

F. Net Energy Metering (NEM) OIR (R.14-07-002)

On January 28, 2016, a Commission Decision approved minor changes to the NEM program (establishing the NEM successor tariff or NEM-ST), which were confirmed on June 23, 2016 in Resolution E-4792. NEM-ST customers are required to pay an interconnection fee, to pay certain non-bypassable charges on net delivered energy within a metered interval and residential customers are required to take service on a TOU rate. SDG&E's NEM-ST became effective July 1, 2016 pursuant to the Resolution. In beginning the next phase of NEM, the CPUC requested comments/data around consumer protection issues and NEM adopted in disadvantaged communities, as defined by state census tract information.

VII. Expenditures

Pursuant to Ordering Paragraph 12 of Decision D.15-07-001, SDG&E filed a Tier 1 Advice Letter 2769-E⁶ on July 31, 2015 to establish the Rate Reform Memorandum Account (RRMA). The RRMA will be used to track verifiable incremental costs in the following categories: (i) TOU pilots, (ii) TOU studies, including hiring of a consultant or consultants to assist in developing study parameters, (iii) MEO costs associated with the rate changes

⁵ AL 3055-E.

⁶ Advice Letter 2769-E was approved September 22, 2015 by letter from the Director of Energy Division and effective July 31, 2015.

approved in this decision, and (iv) other reasonable expenditures as required to implement this decision.

Additionally, an ALJ Ruling on March 14, 2016 directed the IOUs to provide additional information on costs incurred to implement Residential Rate Reform changes. Specifically, the Ruling states “The utilities must provide the information necessary for the Commission and parties to understand the marketing and other expenditures made to date to implement the rate changes. As stated above, the PRRR report must reference any marketing or other expenditures that the utility has indicated to the Commission will not be included in the RRMA ... [i]n order to make review of cost recovery applications more transparent, this list of excluded amounts should also be footnoted in any future cost recovery application. Furthermore, any such expenditures excluded from the RRRMA must be itemized and labeled consistently in the PRRR report and may not be included, embedded, or recovered in any other memorandum or balancing account in any future cost recovery proceeding.”⁷

These costs are reflected in the “Non-RRMA” section of the table below. IT costs related to system changes required to implement Residential Rate Reform that are not TOU pilot related are funded through the SDG&E base capital budget and will be excluded from the RRMA.

The information provided below includes costs incurred from August 2015 through March 2017.

⁷ *E-mail Ruling Setting Forth Requirements for Future Advice Letter Filings and Notifying Parties of Next Progress on Residential Rate Reform Workshop and Other Procedural Matters*, p. 6, R.12-06013, <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M159/K670/159670903.PDF> (issued March 14, 2016).

SDG&E – RATE REFORM BUDGET OVERVIEW

Rate Reform Costs Aug 2015 - March 2017*							
RRMA: General Rate Reform (in 000's)	Aug - Dec 2015	Q1 - 2016	Q2 - 2016	Q3 - 2016	Q4 - 2016	Q1 - 2017	Total
Marketing, Education, & Outreach	\$ -	\$ 72	\$ 420	\$ 325	\$ (446)	\$ 5	\$ 376
Information Technology	\$ -	\$ 51	\$ 130	\$ 81	\$ (216)	\$ -	\$ 46
Other	\$ -	\$ -	\$ 6	\$ 9	\$ 19	\$ 2	\$ 36
General Rate Reform Total	\$ -	\$ 123	\$ 556	\$ 415	\$ (643)	\$ 7	\$ 458
RRMA: Time-Of-Use Pilots (in 000's)	Aug - Dec 2015	Q1 - 2016	Q2 - 2016	Q3 - 2016	Q4 - 2016	Q1 - 2017	Total
Planning & Design	\$ -	\$ -	\$ -	\$ 550	\$ (483)	\$ 9	\$ 76
Measurement & Evaluation	\$ -	\$ -	\$ 11	\$ -	\$ -	\$ -	\$ 11
Customer Insight	\$ -	\$ -	\$ 46	\$ -	\$ 67	\$ -	\$ 113
Recruitment	\$ -	\$ -	\$ 395	\$ 1,227	\$ 569	\$ 133	\$ 2,324
Customer Support	\$ -	\$ -	\$ -	\$ 314	\$ 44	\$ 1,072	\$ 1,430
Outreach & Education	\$ -	\$ -	\$ -	\$ -	\$ 271	\$ -	\$ 271
Technology	\$ -	\$ -	\$ -	\$ -	\$ 78	\$ 83	\$ 161
TOU Pilot Total	\$ -	\$ -	\$ 452	\$ 2,091	\$ 546	\$ 1,297	\$ 4,386
Total to RRMA	\$ -	\$ 123	\$ 1,008	\$ 2,506	\$ (97)	\$ 1,304	\$ 4,844
Non-RRMA (in 000's)	Aug - Dec 2015	Q1 - 2016	Q2 - 2016	Q3 - 2016	Q4 - 2016	Q1 - 2017	Total
Marketing, Education, & Outreach	\$ 251	\$ -	\$ -	\$ -	\$ 148	\$ 16	\$ 415
Information Technology	\$ 436	\$ 526	\$ 731	\$ 648	\$ 1,105	\$ 1,123	\$ 4,569
Non-RRMA Total	\$ 687	\$ 526	\$ 731	\$ 648	\$ 1,253	\$ 1,139	\$ 4,984
Grand Total (RRMA + Non-RRMA)	\$ 687	\$ 649	\$ 1,739	\$ 3,154	\$ 1,156	\$ 2,443	\$ 9,828
Guidelines and charge numbers have been established to ensure that the costs charged to the RRMA are appropriate and incremental							
and that they are tracked accordingly. All costs that are charged to the RRMA are reviewed and verified on a quarterly basis, at minimum.							
* Any required corrections/adjustments are reported herein and supersede information provided in prior reports and may reflect year-to-date adjustments							

VIII. Conclusion

SDG&E is pleased to report its First Quarter (January – March) 2017 efforts to the Commission and stakeholders. SDG&E looks forward to continued collaboration with the other IOUs, Energy Division and the Working Group members to develop plans and best practices that will contribute to a successful implementation of Residential Rate Reform and transition to TOU rates for residential customers.

Respectfully submitted,

/s/ Steven C. Nelson

Steven C. Nelson

8330 Century Park Court, CP32D

San Diego, CA 92123

Telephone: (619) 699-5136

Facsimile: (619) 699-5027

Email: Snelson@semprautilities.com

Attorney for

SAN DIEGO GAS & ELECTRIC COMPANY

May 1, 2017